DO WE REALLY WANT TO WIN A RACE TO THE BOTTOM?

SO HERE'S A NOT-SURPRISE. In its latest quarterly survey of Canadian business leaders, CPA Canada (our national chartered professional accountants' association) reveals 69 per cent of corporate movers and takers believe Canada in the last year has become a "less competitive place to do business and invest versus the United States."

Why? Two main reasons.

The primary factor—a perennial complaint among "havers" and cited by 29 per cent of them—is "Canada's overall tax burden." By which our beleaguered business leaders mean they believe they and their companies (and their friends and their friends' companies) pay too much in taxes. (It is worth noting, however, that in the same survey, 69 per cent of these same Sad Sacks predict their own business revenues will increase in the coming year and 60 per cent believe their corporate profits will also go up. But I digress from their dismal diorama…)

The second reason, noted by 14 per cent of respondents, is "U.S. tax reform." Which means our captains of commerce would like a little/lot more of the play-no-need-to-pay gifts Donald Trump and his Republican elves stuffed into corporate America's Christmas stocking in 2017.

Joy Thomas, the CPA's president and CEO, argues the survey's findings "reinforce the need for a comprehensive review of Canada's tax system… to reduce complexities, address inefficiencies, improve fairness and ensure economic competitiveness." (Psst… she means governments should cut taxes.)

Or, as Bruce Ball, vice president of tax at CPA Canada, hopefully/hopelessly summed up "the matter of those U.S. tax reforms" in a May 2018 appearance presentation to a Canadian Senate finance committee: "No matter what we may think about them, they are a game-changer for Canada."

Which you can translate roughly into, "Oh hell, isn't it time we changed our tax game so we can compete with the Americans in their race to the social safety net bottom?"

Before we go there, perhaps we should "think about" Donald Trump's soak-the-poor tax reforms for one moment, remind ourselves exactly what their purpose is and what their consequences will be.

First, a highlights package of Trump's 2017 "big beautiful Christmas present." He…

- permanently slashed corporate tax rates from 35 to 21 per cent;
- allowed well-to-do individuals to deduct a pass-through 20 per cent of their qualified business income from partnerships and sole proprietorships;
- doubled the tax exemption on estates to $10 million, adding yet another new tax break for the 0.1 per cent whose wealth qualifies them to tap this perk; and
- gave the biggest individual tax breaks to those already making between $308,000 and $733,000 a year, leaving ordinary taxpayers a small left-over rebate this year that will not become permanent.

And now, the consequences:

- The nonpartisan Tax Policy Center says 53 per cent of Americans will actually pay more in taxes in 2027 than they do today. The losers will not be among the well-to-do.
- Tax "reform" will add $1.8 trillion to the annual U.S. deficit and spike the country's debt from $21 trillion to $33 trillion over the next decade—with "virtually no mechanism to offset those losses."
- Thanks to the repeal of the individual health mandate—the albino-pale American imitation of our universal health care—the Congressional Budget Office estimates 13 million more Americans will be without health insurance by 2027 and that those who do have it will have to pay more for it, more than wiping out whatever they gained from temporary cuts to tax rates.
- Despite the claims that cutting taxes for corporations will boost the economy, increase wages and encourage businesses to re-invest, a Bank of America Merrill Lynch survey suggests big business will actually use the windfalls to pay down debt, repurchase stocks and initiate mergers.

A game changer? Yes indeed. But is this really the way we want to change the game in Canada?

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